

June 3, 1996

D.P.U. 96-4B

Application of Eastern Edison Company

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 115, for approval by the Department of Public Utilities of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months of June, July and August, 1996.

(2) for approval by the Department of Public Utilities of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by electric utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978.

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APPEARANCES: David A. Fazzone, P.C.  
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75 State Street  
Boston, Massachusetts 02110  
FOR: EASTERN EDISON COMPANY  
Applicant

## I. INTRODUCTION

On April 23, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Eastern Edison Company ("EECo" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. 115, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 115. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of June, July and August, 1996. These matters were docketed as D.P.U. 96-4B.

Pursuant to notice duly issued, a public hearing on the Company's application was held on May 28, 1996 at the Department's offices in Boston. Notice of the hearing was published by the Company in the Fall River Herald News, the Quincy Patriot Ledger, the Brockton Enterprise, and the Boston Herald. The Company also complied with the requirement to mail a copy of the notice of the hearing to persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. At the hearing, the Company sponsored two witnesses: Mark Sorgman, supervisor of rate administration for Eastern Utilities Associates Service Corporation, and Gail M. Hatch, power analyst for Eastern Utilities Associates Service Corporation. The Company submitted one exhibit.

EECo is a wholly owned subsidiary of Eastern Utilities Associates ("EUA"), a utility holding company. EUA's other subsidiaries, affiliates of EECo, include Blackstone Valley

Electric Company ("Blackstone") in Rhode Island, Newport Electric Corporation ("Newport") in Rhode Island, and EUA Service Corporation, which provides engineering, technical, and other services for EUA companies. Montaup Electric Company ("Montaup") is a wholly owned subsidiary of EEC Co and supplies power to EEC Co, Blackstone, and certain municipal electric utilities. EEC Co purchases all of its power requirements at wholesale from Montaup pursuant to rates regulated by the Federal Energy Regulatory Commission ("FERC"). Thus, EEC Co does not own or operate any power generation units of its own. According to its 1995 annual report EEC Co serves, on average, 236,853 customers in its service territory which includes over 20 cities and towns in southeastern Massachusetts.

## II. FUEL CHARGE

On April 23, 1996, the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for June, July and August, 1996. For these billing months, the Company proposes a fuel charge of \$0.02021 per kilowatthour ("KWH") (Exh. EE-1, Sec. 1, at ii). The proposed fuel charge is \$0.00298 per KWH higher than the fuel charge of \$0.01723 per KWH approved by the Department in Eastern Edison Company, D.P.U. 96-4A (1996) for meter readings for the billing months of March, April and May, 1996 (id.).

According to Mr. Sorgman, the main reason for the increase in the proposed fuel charge is that the average energy rate is forecast to be higher than in the current period (id., Sec. 1, at iii). Mr. Sorgman noted that there is an estimated overrecovery balance of \$289,457 for the period of March through May 1996 (id., Sec. 1, at 1; Tr. at 5). Mr. Sorgman also noted that the Company entered the March through May 1996 period with a cumulative overrecovery balance of \$197,439

(id., Sec. 1, at 1). Mr. Sorgman stated that the increase in the overrecovery in the March through May 1996 period is mainly due to a lower-than-estimated average energy rate in combination with higher-than-estimated sales (id., Sec. 1, at 4; Tr. at 9).

Ms. Hatch explained that, despite the overrecovery balance, the Company's proposed fuel charge is forecasted to be higher than the fuel charge in the March through May 1996 period due to expected higher average energy costs in the June through August 1996 period (Exh. EE-1, Sec. 2, at iv). According to the Company, average energy costs are expected to be higher because of the unavailability of Millstone 3 and increased energy requirements in the summer forecast period of June through August 1996, compared to the previous period (id.). Ms. Hatch further noted that less economical replacement power during the summer high demand period will significantly increase fuel costs (id., Sec. 2, at iv-v).

### III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the FERC in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also

required, under 220 C.M.R. § 8.04 (6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04 (6)(a).

The Company proposed the following standard rates to be paid to QFs during June, July and August, 1996:

Energy Rates By Voltage Level (\$/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Primary	0.023433	0.018825	0.019902
Secondary	0.024166	0.019462	0.020551

Exh. EE-1, Sec. 2, at 32.

Short-Run Capacity Rate (\$/KWH)

<u>Voltage Level</u>	<u>Short-Run Capacity Rate (\$/KWH)</u>
Primary	0.059389
Secondary	0.061350

Id., Sec. 2, at 35.

IV. FINDINGS

Based on the record in the case, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of June, July and August, 1996 shall be \$0.02021 per KWH. (The calculation of the fuel charge is shown in the Table attached to this order.)

2. that the qualifying facility power purchase rates for June, July and August, 1996 shall be the rates set forth in Section III above.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Eastern Edison Company is authorized to put into effect a quarterly fuel charge of \$0.02021 per KWH, as set forth in Section IV, Finding 1 of this Order, for bills issued pursuant to meter readings for the billing months of June, July and August, 1996, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to Eastern Edison Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That Eastern Edison Company's Qualifying Facility power purchase rates for the billing months of June, July and August, 1996 shall be those set forth in the Table on page 4 of this Order; and it is

FURTHER ORDERED: That Eastern Edison Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That Eastern Edison Company, in all future fuel charge proceedings, shall provide the Attorney General and all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department.

By Order of the Department,

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John B. Howe, Chairman

Clark Webster, Commissioner

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Janet Gail Besser, Commissioner

